



STATE BOARD OF EQUALIZATION

April 18, 1966

S--- M. W--- & Co.
Certified Public Accountants
--- ---, California

Gentlemen:

This is in answer to your letter of June 14 with respect to the correct method of computing sales or use taxes in connection with your client's business of purchasing scrap metals which it processes into steel "Ingots," which in turn are converted to steel reinforcing bars and installed in concrete structures under construction contracts.

The application of tax to construction contractors generally is governed by Sales and Use Tax Ruling 11, copy enclosed. As therein indicated, a distinction is made between "materials," as defined in said Ruling, and "fixtures," as defined therein. As there stated, construction contractors are regarded as consumers of "materials" used in fulfilling a construction contract. Reinforcing bars used for the purpose of reinforcing concrete constitute "materials" within the meaning of Ruling 11. Accordingly, the measure of the tax is the cost price of the raw materials from which your client fabricates the reinforcing bars.

If you client will make any sales of the reinforcing bars, the measure of the tax will be, of course, the retail selling price. In addition, as indicated by said Ruling 11, if it furnishes and installs "fixtures" and the tax will apply in the manner therein prescribed.

Very truly yours,

R. G. Hamlin
Tax Counsel

RGH/RW